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Testimony

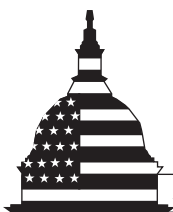
Before the Subcommittee on Contracting Oversight, Committee on Homeland Security and Governmental Affairs, U.S. Senate

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OPERATIONAL CONTRACT SUPPORT

Actions Needed to Address Contract Oversight and Vetting of Non-U.S. Vendors in Afghanistan

Statement of William M. Solis, Director
Defense Capabilities and Management



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Why GAO Did This Study

The Departments of Defense (DOD) and State (State) and the United States Agency for International Development (USAID) have collectively obligated billions of dollars for contracts and assistance to support U.S. efforts in Afghanistan. The work of GAO and others has documented shortcomings in DOD's contract management and oversight, and its training of the non-acquisition workforce. Addressing these challenges can help DOD meet warfighter needs in a timely and cost-conscious manner; mitigate the risks of fraud, waste, and abuse; and minimize the operational risks associated with contractors.

This testimony addresses the extent to which (1) DOD's Contracting Officer's Representatives (COR) are prepared for their roles and responsibilities and provide adequate contract oversight in Afghanistan; (2) DOD, State, and USAID vet non-U.S. firms for links to terrorist and insurgent groups in Afghanistan; and (3) DOD has implemented GAO's past recommendations. The testimony is based on GAO's recently published reports and testimonies on operational contract support, including a June 2011 report on vetting of non-U.S. vendors in Afghanistan, as well as providing preliminary observations as a result of ongoing audit work in Afghanistan. GAO's work included analyses of a wide range of agency documents, and interviews with defense officials including CORs, contracting officers, and contract management officials in the United States and Afghanistan.

View [GAO-11-771T](#) or key components. For more information, contact William Solis at (202) 512-8365 or solisw@gao.gov.

June 30, 2011

OPERATIONAL CONTRACT SUPPORT

Actions Needed to Address Contract Oversight and Vetting of Non-U.S. Vendors in Afghanistan

What GAO Found

DOD has taken actions to better prepare CORs to conduct contract oversight and management in Afghanistan; however, CORs are not fully prepared for their roles and responsibilities to provide adequate oversight there. To improve the capability of CORs to provide contract management and oversight in contingencies, DOD has developed a new, contingency-focused COR training course, issued new guidance, and developed a COR certification program. Nonetheless, gaps in the training exist. For example, according to DOD personnel in Afghanistan, the required training does not provide CORs with enough specificity about contracting in Afghanistan, such as information about the Afghan First Program, which encourages an increased use of local goods and services, or working with private security contractors. Also, whether a COR has relevant technical expertise is not always considered prior to assigning an individual to oversee a contract, even though CORs have a significant role in determining if products or services provided by the contractor fulfill the contract's technical requirements. However, according to officials, some CORs appointed to oversee construction contracts have lacked necessary engineering or construction experience, in some cases resulting in newly constructed buildings that were to be used by U.S. or Afghan troops having to be repaired or rebuilt. According to CORs and commanders in Afghanistan, poor performance on construction contracts has resulted in money being wasted, substandard facilities, and an increased risk to bases. For example, contracting officials from one regional contracting center told GAO that construction of guard towers at a forward operating base was so poor that they were unsafe to occupy.

DOD and USAID have both established processes to vet non-U.S. vendors in Afghanistan, but GAO has identified limitations; additionally, State has not yet developed a vendor vetting process. The purpose of DOD's vetting process begun in August 2010—which includes the examination of available background and intelligence information—is to reduce the possibility that insurgents or criminal groups could use U.S. contracting funds to finance their operations. Additionally, in January 2011 USAID also began to implement a process to vet prospective non-U.S. contract and assistance recipients (i.e., implementing partners) in Afghanistan. GAO made recommendations, such as to formalize their vetting processes, which, both agencies concurred with. For example, USAID signed a mission order in May 2011 codifying the details of its vetting process. As of May 2011, State had not developed a vendor vetting process for non-U.S. vendors in Afghanistan, though officials stated they are considering several options.

GAO has made numerous recommendations in areas such as developing guidance, tracking contractor personnel, providing oversight personnel, and training, and DOD has made strides in addressing some of them. However, it has not fully implemented other previous recommendations, such as ensuring training for commanders and senior leaders and improvements to the contracting personnel tracking system in Afghanistan.

Madam Chairman, Ranking Member Portman, and Members of the Subcommittee:

Thank you for inviting me to be here today to discuss a few of the challenges that the Department of Defense (DOD) faces in providing contract oversight in Afghanistan and that the DOD, the U.S. Agency for International Development (USAID), and the Department of State (State), face vetting non-U.S. vendors. Guidance issued in September 2010 by the Commander of the International Security Assistance Force (ISAF) and United States Forces-Afghanistan stated that, with proper oversight, contracting can spur economic development and support the Afghan government's and ISAF's campaign objectives. In fiscal year 2010, DOD reported obligating approximately \$11.4 billion on contracts with a principal place of performance in Afghanistan, while USAID obligated about \$331.5 million and State obligated \$775 million. Our work, as well as that of the inspectors general and the Commission on Wartime Contracting in Iraq and Afghanistan, has documented the need for improvements in DOD's contract management and oversight, and training of the non-acquisition workforce. Additionally, U.S. government agencies and congressional committees have paid increasing attention to the risks of DOD, USAID, and State contracting and reconstruction funds being diverted to criminal or insurgent groups. Legislation to address this issue has recently been proposed in Congress, and there have been congressional hearings and reports detailing examples of corruption and financing of insurgents in Afghanistan.¹

Addressing DOD's oversight challenges is essential if DOD is to meet the warfighters' needs in a timely and cost-conscious manner; mitigate the risks of fraud, waste, and abuse; and minimize the operational risks associated with contractors not only in today's operations but also in future contingencies. Similarly, DOD, USAID, and State must address the challenges they face in ensuring that U.S. funds do not help finance the insurgency.

¹These examples of corruption and insurgent financing are reported in the Senate Committee on Armed Services's Inquiry into the Role and Oversight of Private Security Contractors in Afghanistan, S. Rep. No. 111-345, released in October 2010, and by the majority staff of the House Subcommittee on National Security and Foreign Affairs of the Committee on Oversight and Government Reform in its report Warlord, Inc., in June 2010. See also National Defense Authorization Act for Fiscal Year 2012, H.R. 1540, 112th Cong. § 821 (2011) (as passed by the House May 26, 2011); No Contracting with the Enemy Act of 2011, S. 341, 112th Cong. (2011) (as introduced in the Senate, Feb. 14, 2011)

My statement today will focus on the extent to which (1) DOD's Contracting Officer's Representatives (COR) are prepared for their roles and responsibilities and provide adequate contract oversight in Afghanistan; (2) DOD, USAID, and State vet non-U.S. vendors for links to terrorist and insurgent groups in Afghanistan; and (3) DOD has implemented our past recommendations to improve contract management and oversight. My statement is based on preliminary observations from ongoing work looking at the extent to which DOD and the services have taken actions to improve the capabilities of CORs to provide contract management and oversight in Afghanistan. During the course of our work we reviewed relevant DOD and service publications, guidance, and training material; attended DOD and Army operational contract support training; and interviewed officials both in the United States and in Afghanistan responsible for contracting and contract management and oversight including contracting officers, CORs, officials from the Defense Contract Management Agency, representatives from the U.S. Central Command (CENTCOM) Contracting Command, and other personnel responsible for contract management and oversight in Afghanistan.² In addition, this testimony is based on a June 2011 published report on vendor vetting, and testimonies that examined the extent to which contract management and oversight has improved.³ Our work was conducted in accordance with generally accepted government auditing standards. Additional information on scope and methodology is provided in previously issued products.

Background

Oversight of contracts—which can refer to contract administration functions, quality assurance surveillance, corrective action, property administration, and past performance evaluation—ultimately rests with the contracting officer, who has the responsibility for ensuring that contractors meet the requirements as set forth in the contract. Frequently, however, contracting officers are not located in the contingency area or at the installations where the services are being provided. As a result, contracting officers appoint contract monitors who are responsible for monitoring contractor performance. For some contracts, such as

²CENTCOM Contracting Command is the commonly used name for what is formally known as the Joint Theater Support Contracting Command, formerly the Joint Contracting Command-Iraq/Afghanistan.

³GAO, *Afghanistan: Efforts to Vet Non-U.S. Vendors Need Improvement*, [GAO-11-355](#) (Washington, D.C.: June 8, 2011).

LOGCAP or theaterwide service contracts like the Afghan trucking contract or some Afghan security guard contracts, contracting officers may delegate contract oversight to the Defense Contract Management Agency (DCMA) to monitor contractor performance.⁴ In Afghanistan, DCMA teams include administrative contracting officers, and quality assurance representatives, who ensure that the contractors perform work to the standards written in the contracts and oversee the CORs assigned to DCMA-administered contracts.⁵ The DCMA team also includes property administrators and subject matter experts who advise the agency on technical issues such as food service, electrical engineering, and fire safety. DCMA does not administer construction contracts because according to the head of DCMA in Afghanistan it lacks the technical expertise to manage these types of contracts. Generally, construction contracts in Afghanistan are administered by organizations like the Army Corps of Engineers, or they may be administered by the contracting officer assisted by a COR.

If DCMA is not delegated responsibility for administrative oversight of a contract, the contracting officer who awarded the contract is responsible for the administration and oversight of the contract. These contracting officers, such as those from the CENTCOM Contracting Command, appoint CORs or contracting officer's technical representatives to monitor contractor performance. CORs appointed by the CENTCOM contracting command and others are typically drawn from units receiving contractor-provided services. These individuals are not normally contracting specialists and serve as contract monitors as an additional duty. They cannot direct the contractor by making commitments or changes that affect price, quality, quantity, delivery, or other terms and conditions of the contract. Instead, they act as the eyes and ears of the contracting officer and serve as the liaison between the contractor, the contracting officer, and the unit receiving support or services. In Afghanistan, CORs who

⁴The Logistics Civil Augmentation Program, commonly referred to as LOGCAP, is a program to provide worldwide logistics and base and life support services in contingency environments and provides the majority of base and life support services to U.S. forces in Iraq and Afghanistan.

⁵The administrative contracting officer is a certified contracting officer with specialized training and experience. Administrative contracting officers may be responsible for many duties including ensuring contractor compliance with contract quality assurance requirements, approving the contractor's use of subcontractors, reviewing the contractor's management systems, reviewing and monitoring the contractor's purchasing system, and ensuring that government personnel involved with contract management have the proper training and experience.

have been appointed as contracting officer's representatives for contracts administered by DCMA report their oversight results to DCMA personnel. For contracts not administered by DCMA, CORs provide oversight information to the contracting officer, who may be located in Afghanistan or outside the theater of operations. In addition to their oversight responsibilities, CORs have been tasked with other duties such as developing statements of work, developing requirements approval paperwork and preparing funding documents.

DOD's CORs Are Not Fully Prepared for Their Roles and Responsibilities in Afghanistan

DOD's Training Does Not Fully Prepare Most CORs for Their Roles and Responsibilities of Contract Management and Oversight

DOD has added new training for CORs serving in contingencies, but some gaps in training remain and not all of the required training is being conducted or completed. In Afghanistan, much of the day-to-day surveillance of contracted projects is done by CORs. The Federal Acquisition Regulation (FAR) requires that quality assurance, such as surveillance, be performed at such times and places as necessary to determine that the goods or services conform to contract requirements.⁶ DOD guidance requires CORs be trained and assigned prior to award of a contract. DOD training is intended to familiarize the COR with the duties and responsibilities of contract oversight and management. Contracting organizations such as CENTCOM Contracting Command require that personnel nominated to be CORs complete specific online training courses, as well as locally developed training and contract-specific training, before they can serve as CORs. DOD has taken some actions to improve the capability of CORs to provide management and oversight of contracts in contingency operations such as Afghanistan. These actions include developing a new COR training course, with a focus on contingency operations, and developing a COR certification program.

⁶Surveillance generally involves government oversight of contractors with the purpose of ensuring that the contractor (the service provider) performs the requirements of the contract, and the government (the service receiver or customer) receives the service as intended.

Additionally, DOD has begun to emphasize the need for qualified CORs in military doctrine and other guidance with the publication of Joint Publication 4-10, Operational Contract Support and the Defense Contingency Contracting Representatives Officers Handbook and memoranda issued by the Deputy Secretary of Defense.

However, our analysis of DOD's COR training and interviews with CORs and contracting personnel from organizations like the regional contracting centers and the Defense Contract Management Agency indicated that some gaps and limitations continue to exist. According to personnel in Afghanistan, none of the required COR training provides enough specifics about contract management and oversight in Afghanistan. For example, the required training does not provide CORs with information regarding important issue areas like the Afghan First Program, which encourages an increased use of local personnel and vendors for goods and services as part of the U.S. counterinsurgency strategy, and working with private security contractors. Some CORs told us that they were unfamiliar with the challenges of working with Afghan contractors, and had believed that contracting with Afghan vendors would be similar to contracting with U.S. vendors. However, some of the CORs and other contracting officials we interviewed said they found that providing oversight to Afghan contractors is more challenging than working with other vendors because Afghan vendors often did not meet the time lines established by the contract, did not provide the quality products and the services the units had anticipated, and did not necessarily have a working knowledge of English. For example, one COR told us during our visit in February 2011, that the unit was still waiting for barriers that they had contracted for in May 2010. While some of the barriers had been delivered, the unit had not received all of the barriers they required even though the contract delivery date had passed. Other CORs and contracting officials and contract management officials described similar situations where services were not provided as anticipated or not provided at all. As a result, items such as portable toilets, barriers, gates, water, and other items or services were not available at some locations when needed, raising concerns about security, readiness, and morale. Officials we spoke with noted similar problems with construction contracts awarded to Afghan contractors. For example, according to another COR, an Afghan contractor was awarded a \$70,000 contract to build a latrine, shower, and shave unit. However, when the contractor was unable to satisfactorily complete the project, another contract was awarded for approximately \$130,000 to bring the unit to usable condition. Similarly contracting officials provided documentation of other construction problems including,

a latrine or shower facility built without drains, and a facility constructed in the wrong location, and facilities that were poorly constructed.

Because of the nature and sensitivity of security contracts, CORs for private security contractor contracts have unique responsibilities. For example, CORs are responsible for compiling a monthly weapon's discharge report and for ensuring contractor adherence to contractual obligations on topics such as civilian arming requirements, personnel reporting systems, property accountability and badging. According to a senior military officer with U.S. Forces Afghanistan's private security contractor taskforce, because of gaps in training, CORs do not always understand the full scope of their responsibilities and so do not always ensure that a contractor is meeting all contract requirements. He noted that CORs do not always understand that they have the responsibility to ensure that the terms of the contract are met and therefore do not bring contractors' performance issues to the contracting officer's attention for resolution. As a result, DOD may pay contractors for poor performance and installations may not receive the level of security contracted.

Further, we found that the training programs do not provide enough information on preparing statements of work or preparing documentation for acquisition review boards—two responsibilities that CORs are routinely tasked with. The Defense Contingency COR Handbook describes statements of work as specifying the basic top-level objectives of the acquisition as well as the detailed requirements of the government. The statement of work may provide the contractor with "how to" instructions to accomplish the required effort, and forms part of the basis for successful performance by the contractor. Well-written statements of work are needed to ensure that units get the services and goods needed in the required time frame. CORs we spoke to highlight the problems they encountered when preparing statements of work. For example, several CORs told us of instances when statements of work needed to be rewritten because the original statements of work did not include all required contractor actions, or because they included incorrect requirements. Military officials responsible for reviewing and approving requests for contract support told us that poorly written statements of work are a principal reason why units do not receive the contract support they require. In 2000 and 2004, we reported that poorly written statements of work can result in increased costs and in contractors

providing services that do not meet the requirements of the customer.⁷ According to DOD, the acquisition review board—known in Afghanistan as the Joint Acquisition Review Board—reviews and recommends approval or disapproval of proposed acquisitions to ensure efficiency and cost effectiveness and so it is important that CORs understand and are able to complete the required documentation in order to obtain needed goods and services.

Furthermore, in addition to required on-line training, CENTCOM Contracting Command guidance requires that contracting officers discuss with CORs their specific contract requirements and responsibilities after they have been nominated and before they have begun their duties. However, contracting officers we interviewed at regional contracting centers in Afghanistan said they are frequently unable to provide the required contract-specific training for CORs because they are busy awarding contracts. Without this follow-on training on the specific contract, the COR may not have a clear understanding of how to perform contract oversight or the full scope of their responsibilities. In contrast, DCMA is able to provide specific contract training and mentoring to its CORs because DCMA has quality assurance personnel who have been tasked with providing COR training and assistance.

CORs Lack Needed Technical Expertise to Oversee Some Contracts

Although CORs are selected from a group of candidates who have completed the basic COR training, their technical expertise, or lack thereof is not always taken into consideration when they are appointed to oversee contracts. The Defense Contingency COR handbook indicates that CORs are responsible for determining whether products delivered or services rendered by the contractor conform to the requirements for the service or commodity covered under the contract. The COR handbook notes that personnel nominated as CORs should have expertise related to the requirements covered by the contract, and suggests that commanders should consider the technical qualifications and experience of an individual when nominating a COR. In addition, the CENTCOM Contracting Command requires that commanders identify the nominee's qualifying experience.

⁷GAO, Military Operations: DOD's Extensive Use of Logistics Support Contracts Requires Strengthened Oversight, [GAO-04-854](#) (Washington, DC: July 19, 2004).

However, these requirements are not always taken into consideration when CORs are selected to oversee certain contracts. According to CORs and other personnel we interviewed in Afghanistan, CORs frequently lack the required technical skills to monitor contractor performance. For example, military personnel have been appointed to oversee construction contracts without the necessary engineering or construction experience, in part because their units lack personnel with those technical skills. While DCMA has subject matter experts in key areas such as fire safety available for CORs needing technical assistance, CORs for contracts written by the CENTCOM Contracting Command have no subject matter experts to turn to for assistance, particularly in the construction trades. As a result, according to officials there have been newly constructed buildings used by both U.S. and Afghan troops that had to be repaired or rebuilt before being used because the CORs providing the oversight were not able to adequately ensure proper construction. According to personnel we interviewed, this resulted in a waste of money as well as lower morale due to substandard facilities; and in an increased risk to bases and installations because required infrastructure such as guard towers, fire stations, and gates were lacking. Contracting officials from one regional contracting center told us that guard towers at a forward operating base were so poorly constructed that they were unsafe to occupy; they were subsequently torn down and reconstructed. According to a contracting officer, it is not uncommon for CORs to accept a portion of the contractor's work only to find, at the project's completion, that the construction was substandard. Similarly, officials told us that before the LOGCAP program will accept responsibility for maintenance of a facility not constructed by the LOGCAP contractor, the LOGCAP contractors are often required to repair or replace wiring or plumbing in buildings constructed by Afghan contractors to meet U.S. building codes.

The Number of CORs Is Not Sufficient to Adequately Oversee the Thousands of Contracts Being Used in Afghanistan

DOD continues to lack a sufficient number of oversight personnel to oversee the numerous contracts and task orders used in Afghanistan. While there is no specific guidance on the number of contracts for which a COR can be responsible, the CENTCOM Contracting Command's standard operating procedures for COR nomination requires that memoranda for COR nominations, signed by the unit commander, contain a statement verifying that the COR will have sufficient time to complete assigned tasks. Similarly, the Defense Contingency Contracting Officer Representative Handbook states that the requiring unit must allow adequate resources (time, products, equipment, and opportunity) for the COR to perform his or her COR functions. However, we found that CORs

do not always have the time needed to complete their oversight responsibilities. While available data do not enable us to determine the precise number of contracts that require CORs, in fiscal year 2010 CENTCOM Contracting Command awarded over 10,000 contracts.⁸ According to contracting officials and CORs we interviewed in Afghanistan, some CORs are responsible for providing oversight to multiple contracts in addition to their primary military duty. For example, one COR we interviewed was responsible for more than a dozen construction projects. According to the COR, it was impossible to be at each construction site during key phases of the project, such as the wiring installation or plumbing, because these phases were occurring almost simultaneously at different locations. Consequently, according to officials, construction was completed without sufficient government oversight, and problems were not always identified until the buildings were completed. This often resulted in significant rework, at a cost to the U.S. taxpayer. In addition, in some cases units did not assign enough CORs to provide oversight. For example, we were told at one unit that they did not have a sufficient number of CORs to provide proper oversight of dining facilities. Although the unit was able to provide one COR for each dining facility, the dining facilities operate 24 hours a day, and ideally, enough CORs would have been assigned to provide contract oversight 24 hours a day. Army guidance requires that supervisory staff for dining facilities (military food advisors, food program manager, CORs, and contractors operations) check food for sanitation and safety at dining facilities at every meal period.⁹ Without verification that food is prepared in a safe manner, the health of military personnel, DOD civilians, contractors, and others could be put at risk, with the potential to impact ongoing operations.

⁸CENTCOM Contracting Command does not require a COR for every contract awarded. According to the CENTCOM standard operating procedures, CORs will be nominated for all service contracts exceeding \$2,500, both commercial and non-commercial, with significant technical requirements that require ongoing advice and surveillance from technical/requirements personnel. However, contracting officers may exempt service contracts from the requirement for a COR when the contract will be awarded using simplified acquisition procedures, the requirement is not complex, and the contracting officer documents in writing why the appointment of a COR is unnecessary.

⁹See Department of the Army Pamphlet 30-22, Operating Procedures for the Army Food Program (Feb. 6, 2007).

DOD Has Not Institutionalized Operational Contract Support

An underlying cause for the oversight issues discussed above is DOD's inability to institutionalize operational contract support. Army officials stated that commanders, particularly those in combat units, still do not perceive contract management and oversight as warfighter tasks. As a result, units may not always use the tools available to help prepare for contract management operations in Afghanistan. For example, according to Army officials, personnel nominated as CORs are not always provided the opportunity to practice their COR roles during pre-deployment training events, despite Army guidance that requires the CORs to be exercised during these training events. Army CORs we interviewed in Afghanistan expressed their desire for more specific and in-depth training at their units' predeployment training events. In addition, we and others have made recommendations to provide operational contract support predeployment training for commanders and senior leaders and DOD agreed with our recommendations.¹⁰ However, little or no operational contract support training for these personnel is available prior to deployment. As a result, commanders do not always understand their units' roles and responsibilities to provide contract management and oversight. For example, some commanders and other personnel we interviewed questioned the idea that units should be responsible for contract oversight, and believe that contract oversight should be provided by other organizations.

DOD, USAID, and State Efforts to Vet Non-U.S. Vendors in Afghanistan Need Improvement

Interagency Efforts Are Underway to Address Corruption in Afghanistan

In response to continued congressional attention and concerns from DOD, USAID, and other agencies about actual and perceived corruption and its impact on U.S. and International Security Assistance Force activities in Afghanistan, several DOD and interagency (including USAID) efforts have been established to identify malign actors, encourage transparency, and prevent corruption. While our recent work has not

¹⁰ [GAO-07-145](#).

directly addressed anti-corruption activities in Afghanistan, we can report that these efforts include the establishment of several interagency task forces. One of them is Task Force 2010, an interagency anticorruption task force that aims to provide commanders and civilian acquisition officials with an understanding of the flow of contract funds in Afghanistan in order to limit illicit and fraudulent access to those funds by criminal and insurgent groups. Another is the Afghan Threat Finance Cell, an interagency organization that aims to identify and disrupt the funding of criminal and insurgent organizations.

While DOD Has Recently Begun to Vet Non-U.S. Vendors in Afghanistan, Its Approach Has Limitations

In August 2010, DOD began to vet non-U.S. vendors in Afghanistan by establishing a vetting cell called the Vendor Vetting Reachback Cell (hereinafter referred to as the vetting cell).¹¹ The purpose of this vetting process—which includes the examination of available background and intelligence information—is to reduce the possibility that insurgents or criminal groups could use U.S. contracting funds to finance their operations. The vetting cell is staffed by 18 contractor employees operating from CENTCOM headquarters and is supervised by DOD officials. The contract used to establish the vetting cell for Afghanistan was awarded in June 2010, and in August 2010 the cell began vetting non-U.S. vendors.¹² Names of non-U.S. contractors who are seeking a contract award with DOD in Afghanistan are forwarded to the cell, and an initial assessment is made about the prospective vendor. Once an initial assessment is made by the cell about a non-U.S. vendor, a final determination is made by a DOD entity in Afghanistan as to whether to accept or reject the prospective vendor for the particular contract.

However, some limitations exist in the vendor vetting process. According to the CENTCOM Contracting Command Acquisition Instruction, all awards of and options for contracts equal to or greater than \$100,000 to

¹¹While the term *vetting* can be used to describe any sort of background verification or fact checking, for purposes of our work in this area, *vetting* is used to describe the examination of available background and intelligence information to determine whether prospective vendors or assistance recipients are affiliated with insurgent or criminal groups, or appear to pose a significant risk of diverting funds or security information to terrorist, criminal, or other corrupt organizations.

¹²The vetting cell contract awarded in June 2010 is an indefinite-delivery/indefinite-quantity contract that currently has two task orders that separately establish vetting cells for Afghanistan and Iraq that are collocated at CENTCOM headquarters in Tampa, Florida. The task order for Iraq was awarded slightly later, in August 2010, to allow the period of performance for the prior Iraq vetting cell contract to conclude.

all non-U.S. vendors in Afghanistan are subject to vetting by the vetting cell.¹³ Additionally, all information technology contracts in Afghanistan, regardless of dollar value, are subject to vetting.¹⁴ However, while the acquisition instruction does highly recommend that all vendors be submitted for vetting—which would include those with contracts under \$100,000—it does not require that vendors with contracts below \$100,000 be vetted. This presents a significant gap in the vetting requirements for non-U.S. vendors as nearly three-quarters of the new contracts awarded and options exercised for FY 2010 to non-U.S. vendors were valued at under \$100,000.¹⁵ Additionally, currently, CENTCOM Contracting Command does not routinely vet subcontractor vendors, even though according to DOD officials, subcontractors do much of the work in Afghanistan. Also CENTCOM Contracting Command officials said that when the contract was established, it was with the intention of determining a non-U.S. vendor's eligibility to be awarded a contract in Afghanistan prior to award. However, according to CENTCOM Contracting Command officials, when they began submitting names to the vendor vetting cell in 2010, the focus was on vendors who had already received contracts in order to address immediate corruption and illicit funding concerns.¹⁶ CENTCOM Contracting Command has not yet to

¹³Specifically, the Acquisition Instruction applies vendor vetting “to all awards of, and options for, any contracts or Blanket Purchase Agreements.”

¹⁴According to the Acquisition Instruction, this process is to be implemented for information technology contracts as soon as feasible and practicable but not later than April 2, 2011.

¹⁵Figure based on GAO analysis of Federal Procurement Database System-Next Generation (FPDS-NG) data, April 2011. Non-U.S. contractors were identified in the system as contractors for which the vendor country was not the United States or for which the contractor name was “miscellaneous foreign contractor.” Award amount is the amount of the initial obligation for contracts and purchase orders; the obligation for options exercised in fiscal year 2010; and because of the lack of estimate value for blanket purchase agreements and indefinite delivery contracts, the fiscal year 2010 obligated amount for calls and orders performed in Afghanistan. FPDS-NG includes unclassified contracts that are estimated to be \$3,000 or more and any modifications to these contracts, regardless of dollar value. Further, the number of contracts and task orders does not necessarily equal the number of vendors, as some vendors may have more than one contract or task order. Also, the number of contracts and task orders does not necessarily equal the number of vendors, as some vendors may have more than one contract or task order. Totals may not correspond due to rounding.

¹⁶Although the Acquisition Instruction primarily focuses on vetting prospective contract actions (i.e., award), one subsection addresses the potential for termination of existing contracts where a contracting officer becomes aware of a contractor with a “rejected” eligibility status. See CENTCOM Contracting Command Acquisition Instruction, § 25.7704-1203(k) (Nov. 5, 2010).

determined how many of the remaining non-U.S. vendors that have already been awarded contracts valued above \$100,000 will be vetted in the future, and at the same time, the number of vendors awarded contracts prior to vetting continues to grow as contracts continue to be awarded in Afghanistan by CENTCOM Contracting Command during fiscal year 2011. This may mean that the number of non-U.S. vendors who have not been vetted will continue to grow and further delayed by the fact that CENTCOM Contracting Command has also not established a timeline for when it will begin vetting vendors prior to award, nor have they developed an estimated number of prospective vendors that it anticipates vetting in the remainder of the fiscal year. Furthermore, the command does not use a formalized risk based approach to prioritize vetting needs. Officials from CENTCOM Contracting Command told us that they considered factors such as the risk, complexity, and nature of the contract to prioritize the first tranche of non-U.S. vendors sent to the cell for vetting, but they have no documentation identifying these considerations as a process.

To address these vendor vetting limitations in Afghanistan, in our June 2011 report we made several recommendations to DOD. These recommendations included that CENTCOM Contracting Command consider formalizing a risk-based approach to enable the department to identify and vet the highest-risk vendors—including those vendors with contracts below the \$100,000 threshold—as well as subcontractors, and to work with the vendor vetting cell to clearly identify the resources and personnel needed to meet the demand for vendor vetting in Afghanistan, using a risk-based approach. DOD concurred with our recommendations and in their response provided additional clarification about the limitations that currently exist on its resources, including limitations on expanding its joint manning document and the current mandate to reduce staff at CENTCOM.

USAID Has Recently Begun to Implement A Vendor Vetting Process

In January 2011, in order to counter potential risks of U.S. funds being diverted to support criminal or insurgent activity, USAID created a process for vetting prospective non-U.S. contract and assistance recipients (i.e., implementing partners) in Afghanistan. This process is similar to the one it has used in the West Bank and Gaza since 2006. This process was formalized in USAID's May 2011 mission order, which established a vetting threshold of \$150,000 and identified other risk

factors, such as project location and type of contract or service being performed by the non-U.S. vendor or recipient.¹⁷ The mission order also established an Afghanistan Counter-Terrorism Team, which can review and adjust the risk factors as needed. USAID officials said that the agency's vendor vetting process was still in the early stages, and that it is expected to be an iterative implementation process of which aspects could change—such as the vetting threshold and the expansion of vetting to other non-U.S. partners. In our June 2011 report we recommended that USAID consider formalizing a risk-based approach that would enable it to identify and vet the highest-risk vendors and partners, including those with contracts below the \$150,000 threshold. We also recommended that in order to promote interagency collaboration so as to better ensure that vendors potentially posing a risk to U.S. forces are vetted, DOD and USAID should consider developing formalized procedures, such as an interagency agreement or memorandum of agreement, to ensure the continuity of communication of vetting results and to support intelligence information, so that other contracting activities may be informed by those results. USAID concurred with our recommendations and noted that the agency has already begun to implement corrective measures to ensure conformity with the GAO recommendations and adherence to various statutes, regulations, and executive orders pertaining to terrorism.

State Has Not Created a Vendor Vetting Process for Afghanistan

As of May 2011, the State Department (State) was not vetting vendors in Afghanistan. As we reported in June 2011, State officials told us that currently many of their contracts are awarded to U.S. prime contractors, and that they award relatively few contracts to non-U.S. vendors. Nonetheless, our analysis of contract data shows that State does work with many non-U.S. vendors in Afghanistan, and embassy officials in Kabul told us they do not do any vetting or background checks on the vendors other than for the security risks posed by individual personnel with physical access to the embassy property or personnel. State has endorsed the Afghan First policy, which will likely result in increased contracting with Afghan vendors in the future, which will in turn increase the need to have procedures in place to prevent funds from being

¹⁷ See USAID Mission for Afghanistan, Mission Order No. 201.04, National Security Screening (Non-US Party Vetting) (May 9, 2011). The Mission Order specifies that awards to non-U.S. parties for private security services are subject to vetting regardless of the award amount. See GAO, *Afghanistan: Efforts to Vet non-U.S. Vendors Need Improvement*, [GAO-11-355](#) (Washington, D.C.: June 2011). See USAID agency comments, pg. 37.

diverted to terrorist or insurgent groups. Given this potential increase in local contracting, and without a way to consider—after specific vendors are known to be candidates—the risk posed by funding non-U.S. vendors to perform particular activities in Afghanistan, the department may increasingly expose itself to contracting with malign actors.

To help ensure that State resources are not diverted to insurgent or criminal groups, we recommended that State assess the need and develop possible options for vetting non-U.S. vendors—for example, these could include leveraging existing vendor vetting processes, such as USAID's, or developing a unique process. State partially agreed with our recommendation, and in written comments noted that while it recognized the risk of U.S. funds under State's management being diverted to terrorists or their supporters, there were significant legal concerns related to contracting law, competition requirements, and the conflict between open competition and the use of classified databases to vet contractors and grantees that have required analysis and discussion. We recognize these concerns and encourage State to continue to address these various issues should they develop and implement a vetting process.

DOD, USAID, and State have Not Developed a Formal Method of Sharing Vendor-Vetting Information in Afghanistan

Although DOD, USAID, and State likely utilize many of the same vendors in Afghanistan, we found and reported in June 2011 that the agencies have not developed a formalized process to share vendor vetting information. Currently, DOD and USAID officials in Afghanistan have established informal communication, such as biweekly meetings, ongoing correspondence, and mutual participation in working groups. Further, DOD and USAID officials said that their vetting efforts are integrally related and are complementary to the work of the various interagency task forces, such as Task Force 2010 and the Afghan Threat Finance Cell, and that their mutual participation in these task forces contributes to interagency information sharing in general and vetting results in particular. However, a formal arrangement for sharing information such as would be included in a standard operating procedure or memorandum of agreement between DOD and USAID has not been developed for vetting efforts. In addition, though the U.S. Embassy also participates in various interagency task forces, such as Task Force 2010, there is no ongoing information sharing of vendor vetting results, either ad hoc or formally. According to CENTCOM Contracting Command officials, the command is in the process of developing a standard operating procedure for sharing the vendor vetting results specifically with USAID, but this document has not yet been completed. To promote interagency collaboration so as to better ensure that non-U.S. vendors potentially posing a risk to U.S.

forces are vetted, we recommended that DOD, USAID, and State consider developing formalized procedures, such as an interagency agreement or memorandum of agreement, to ensure the continuity of communication of vetting results and to support intelligence information, so that other contracting activities may be informed by those results. DOD and USAID both concurred with our recommendation, but State did not comment on it.

DOD Has Not Fully Addressed GAO Recommendations

Since the beginning of our work on operational contract support in 1997, we have made numerous recommendations to DOD to help improve the oversight and management of contractors used to support contingency operations. Specifically, we have made recommendations in the areas of developing guidance, planning for contractors in future operations, tracking contractor personnel, providing sufficient numbers of oversight personnel, and training non acquisition personnel including CORs and other key leaders such as unit commanders and senior staff. DOD has implemented some—but not all—of these recommendations.

DOD has taken some actions to address or partially address some of our previous recommendations regarding operational contract support, such as establishing a focal point to lead the department's effort to improve contingency contractor management and oversight at deployed locations, issuing new guidance, incorporating operational contract support into professional military education, and beginning to assess its reliance on contractors. For instance, based on our work, in October 2006, the Deputy Under Secretary of Defense for Logistics and Materiel Readiness established the Office of the Assistant Deputy Under Secretary of Defense (Program Support) to act as a focal point for leading DOD's efforts to improve contingency contractor management and oversight at deployed locations. Among the office's accomplishments is the establishment of a community of practice for operational contract support comprising of subject matter experts from the Office of the Secretary of Defense, the Joint Staff, and the services. In March 2010, the office issued an Operational Contract Support Concept of Operations, and it has provided the geographic combatant commanders with operational contract support planners to assist them in meeting contract planning requirements.

To provide additional assistance to deployed forces, the department and the Army introduced several handbooks and other guidance to improve contracting and contract management in deployed locations. For example in October 2008, the department issued Joint Publication 4-10,

Operational Contract Support, which establishes doctrine and provides standardized guidance for, and information on, planning, conducting, and assessing operational contract support integration, contractor management functions, and contracting command and control organizational options in support of joint operations.¹⁸

Additionally, in 2003 we recommended that DOD develop training for commanders and other senior leaders who are deploying to contingencies and we recommended that CORs be trained prior to assuming their duties.¹⁹ DOD has partially implemented this recommendation; training is available for commanders and other senior leaders however these courses are not required prior to deployment. In 2006, we recommended that Operational Contract Support training be included in professional military education to ensure that military commanders and other senior leaders who may deploy to locations with contractor support have the knowledge and skills needed to effectively manage contractors.²⁰ Both DOD and the Army have taken some actions to implement this recommendation. For example, the Army includes operational contract support topics in its intermediate leaders course and includes limited operational contract support familiarization in some but not all of its pre-command courses. DOD has established a program of instruction for use in senior leader professional military education but the instruction has yet to be incorporated in this level of professional military education.

We have made several recommendations to improve contractor visibility in contingencies. While DOD, along with USAID and State, has implemented a system—the Synchronized Predeployment and Operational Tracker (SPOT)—to track information on its contractor personnel in Afghanistan and other countries, we have issued a series of

¹⁸Joint Publication 4-10 expressly does not pertain to contracting support of routine, recurring (i.e., noncontingency) DOD operations.

¹⁹GAO, *Military Operations: Contractors Provide Vital Services to Deployed Forces but Are Not Adequately Addressed in DOD Plans*, [GAO-03-695](#) (Washington, D.C.: June 24, 2003).

²⁰GAO, *Military Operations: High-Level DOD Action Needed to Address Long-standing Problems with Management and Oversight of Contractors Supporting Deployed Forces*, [GAO-07-145](#) (Washington, D.C.: December 18, 2006).

reports that highlight shortcomings in the system's implementation.²¹ The shortcomings are due, in part, to varying interpretations of which contractor personnel should be entered into the system. As a result, the information SPOT does not present an accurate picture of the total number of contractor personnel in Afghanistan. In October 2009, we recommended that DOD, State, and USAID develop a plan, to among other matters, ensure consistent criteria for entering information into SPOT and improve its reporting capabilities to track statutorily required contracting data and meet agency data needs. The agencies did not agree with our recommendation and when we reviewed the system a year later, we found that many of the issues our recommendation was intended to address had not been resolved. We are currently evaluating the status of SPOT's implementations and the agencies' efforts to improve SPOT.

Concluding Observations

DOD and the services have taken some important steps to institutionalize OCS—for example, by issuing joint doctrine, including some training in professional military education, and establishing a vetting cell to vet non-U.S. vendors in Afghanistan, to minimize the risk of criminal groups using contracts to fund their operations but DOD's efforts have not gone far enough. Our previous work has emphasized the need to institutionalize operational contract support within DOD and improved vetting processes for contractor personnel and vendors, as well as highlighting long-standing problems regarding oversight and management of contractors supporting deployed forces. Contract management, including contract oversight, remains on our high risk list in part because of DOD's challenges in managing contracts used to support deployed forces.²² Since 2004, we have identified the need for a sufficient number of trained oversight personnel, including CORs, as challenge to effective contract management and oversight. While the department has improved contract management and oversight by adding training requirements for CORs,

²¹ GAO, *Iraq and Afghanistan: DOD, State, and USAID Face Continued Challenges in Tracking Contracts, Assistance Instruments, and Associated Personnel*, [GAO-11-1](#) (Washington, D.C.: Oct. 1, 2010); GAO, *Contingency Contracting: DOD, State, and USAID Continue to Face Challenges in Tracking Contractor Personnel and Contracts in Iraq and Afghanistan*, [GAO-10-1](#) (Washington, D.C.: Oct. 1, 2009); and GAO, *Contingency Contracting: DOD, State, and USAID Contracts and Contractor Personnel in Iraq and Afghanistan*, [GAO-09-19](#) (Washington, D.C.: Oct. 1, 2008).

²² GAO, *High-Risk Series: An Update* [GAO-11-278](#) (Washington, D.C.: February 16, 2011).

the current system of using CORs to provide contract management and oversight still has significant weaknesses. As a result, contract oversight and management issues are resulting in a waste of money and raises concerns about security, readiness, and morale. The Secretary of Defense recently called for a change in culture related to operational contract support and directed the joint staff to identify the resources and changes in doctrine and policy necessary to facilitate and improve the execution of operational contract support. This reexamination of culture, policies, and resources along with implementing solutions to the contract oversight problems identified by us and others should help DOD address its longstanding issues oversight issues.

Madam Chairman, Ranking Member Portman, and members of the Subcommittee this concludes my statement. I would be happy to answer any questions you may have at this time.

Contact and Acknowledgments

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In addition, contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this statement. Individuals who made key contributions to this statement are Carole Coffey, Assistant Director; Vincent Balloon, Natalya Barden, Tracy Burney, Carolynn Cavanaugh, Alfonso Garcia, Melissa Hermes, Christopher Miller, James Reynolds, Natasha Wilder and Sally Williamson. Michael Shaughnessy provided legal support, and Cheryl Weissman, Vernona Brevard, and Peter Anderson provided assistance in report preparation.

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